

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2008-83-E - ORDER NO. 2008-332

APRIL 28, 2008

IN RE: Application of South Carolina Electric and Gas Company for Approval to Transfer Real Property to South Carolina Generating Company ("GENCO") at Book Value)	ORDER APPROVING TRANSFER OF PROPERTY NUNC PRO TUNC
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This matter comes before the Public Service Commission of South Carolina ("Commission") on a request by the South Carolina Electric and Gas Company ("SCE&G" or the "Company"), filed on March 3, 2008, to approve the transfer of 250 acres of real property in Berkley County that occurred in 1999. This property was transferred between SCE&G and the South Carolina Generating Company ("GENCO") at book value of \$381,019.50. Both SCE&G and GENCO are wholly owned subsidiaries of SCANA that are regulated utilities.

In 1992, the Commission issued Order No. 92-931 that requires SCE&G to engage in a competitive bidding process if it seeks to sell real property worth in excess of \$50,000. In addition, the Order states, "[a]ny utility or non-utility land or real property transfers between SCE&G and SCANA or any of SCANA's subsidiaries, or to any other party, should be made at fair market value." Through SCE&G's request, the Company asserts that an oversight, which has recently come to its attention, has resulted in SCE&G

failing to procure the Commission's approval before transferring the Berkley County property.

SCE&G explains that GENCO was established in 1985 to facilitate project-specific financing for the conversion of Williams Electric Generating Station ("Williams Station") from an oil-fired plant to a coal-fired plant. Since 1985, SCE&G has operated Williams Station as an integral part of its electric generation system. All of GENCO's capacity and energy is sold to SCE&G under a formula rate established by the Federal Energy Regulatory Commission ("FERC"). That formula rate reflects GENCO's actual fuel cost, actual operating and maintenance costs, and actual investment in rate base as they change from time to time. For all operational and planning purposes, SCE&G treats Williams Station as if it were a facility directly owned by SCE&G.

According to SCE&G, in or about 1995, it purchased two tracts of land in Berkeley County, South Carolina that are adjacent to Williams Station (the "Property"). One tract of land consists of approximately 40 acres and another tract of land consists of approximately 210 acres. The collective purchase price for these two tracts of land totaled \$381,019.50. Upon purchase, both tracts were classified as utility property on SCE&G's books. SCE&G allowed GENCO to use the Property for utility operations from 1995 to 1999. In 1999, SCE&G transferred the Property to GENCO at book value so that the accounting records of each company would reflect the economic usage of the Property.

SCE&G also explains that if it had transferred the Property to GENCO at fair market value, it would have recognized a gain on the transfer under accepted utility

accounting standards, which would have been booked into FERC account 421.1, Gain on Disposition of Property (a non-utility account). Additionally, if GENCO had booked the property in its accounts at fair market value rather than at book value, GENCO's rate base would have increased and the rate charged to SCE&G through GENCO's formula rate would have increased also. Since a fair market value transaction would have adversely affected SCE&G's ratepayers, SCE&G states it transferred the property to GENCO at book value.

We find that one of the purposes of Order No. 92-931 was to prevent the transfer of property between regulated utilities and non-regulated entities at a discounted value which could be detrimental to ratepayers. In this case, both parties are regulated entities under the oversight of this Commission, and the facts indicate that the transfer in question was reasonable and beneficial to ratepayers. Therefore, we approve, *nunc pro tunc*, the property transfer of 250 acres in Berkeley County from SCE&G to GENCO at book value.

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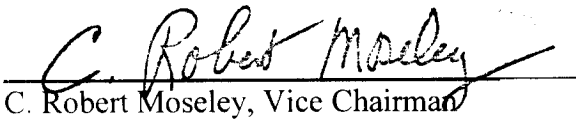
This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



G. O'Neal Hamilton, Chairman

ATTEST:



C. Robert Moseley, Vice Chairman

(SEAL)